



International Mogul Mines Limited

**1970
ANNUAL
REPORT**



**ANNUAL
REPORT**



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International Mogul Mines Limited / 1970

BANKERS

The Toronto-Dominion Bank, Toronto, Ont.

HEAD OFFICE

34 Adelaide Street West, Toronto, Ont.

Directors

R. D. Bell, C.A., Toronto, Ont.
 H. R. Bennett, B.Comm., Toronto, Ont.
 Latham C. Burns, B.A., Toronto, Ont.
 P. S. Cross, B.A.Sc., Toronto, Ont.
 R. A. Davies, Q.C., LL.M., Toronto, Ont.
 E. T. Donaldson, Toronto, Ont.
 W. James, Ph.D., Toronto, Ont.
 D. W. Knight, Toronto, Ont.
 John Kostuik, B.Sc., Don Mills, Ont.
 E. B. McConkey, C.A., Scarborough, Ont.
 G. D. Pattison, C.A., R.R. No. 2, Aurora, Ont.
 S. A. Perry, F.C.I.S., Toronto, Ont.
 Anthony Roman, R.R. No. 2, Gormley, Ont.
 F. G. Townsend, F.C.A., R.R. No. 4, Mississauga, Ont.
 W. W. Weber, Ph.D., Toronto, Ont.

Officers

S. A. Perry, F.C.I.S., Chairman of the Board
 D. W. Knight, President and Chief Executive Officer
 F. G. Townsend, F.C.A., Executive Vice-President
 G. D. Pattison, C.A., Vice-President and Secretary
 P. S. Cross, B.A.Sc., Vice-President, Operations
 R. D. Bell, C.A., Vice-President, Finance
 W. W. Weber, Ph.D., Vice-President, Exploration
 J. P. Brisbois, C.A., Treasurer and Controller
 D. A. Humby, C.A., Assistant Secretary

AUDITORS

Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.

COUNSEL

Davies, Ward & Beck, Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada, Toronto, Montreal,
 Winnipeg and Vancouver

Financial Highlights

Statement of Income

	1970	1969
Revenue from production	14,853,000	13,607,000
Operating profit	7,100,000	6,578,000
Interest, royalty & other expenses	1,164,000	1,295,000
Gross cash flow — mining operations	5,936,000	5,283,000
Per share	2.28	2.03
Depreciation and amortization	1,893,000	1,674,000
Interest of minority shareholders	983,000	877,000
Non-operating items	124,000	776,000
Income before net gain on investments	2,936,000	1,956,000
Per share	1.13	.75
Net gain on investments	8,139,000	1,230,000
Per share	3.12	.47

Balance Sheet

Working capital	8,333,000	2,375,000
Investments and advances	12,337,000	9,050,000
Fixed assets, less depreciation and depletion	11,766,000	11,946,000
Total assets	44,378,000	35,133,000
Shareholders' equity	27,087,000	16,012,000
Per share	10.39	6.14
Shares outstanding	2,607,112	2,607,112

Production Highlights

Tons of ore treated	1,008,565	1,018,705
Grade of ore treated — Zinc	10.53	10.22
— Lead	2.68	2.42
Production of concentrates		
Tons of zinc concentrates	178,388	175,476
Grade of zinc concentrates	50.64	49.54
Tons of lead concentrates	38,077	36,473
Grade of lead concentrates	40.90	37.32
Total tons of concentrates	216,465	211,949
Metal contained in concentrates		
Zinc (lbs)	180.7 million	173.9 million
Lead (lbs)	31.1 million	27.2 million

Directors' Report to the Shareholders

Your Board of Directors is pleased to present the company's 1970 annual report. As is our practice, the various activities and investments of International Mogul Mines are detailed in the following pages.

Your company achieved its greatest growth in its history in 1970. Consolidated net income for the year increased to \$2,936,000 or \$1.13 per share from \$1,956,000 or 75 cents per share in 1969. These figures exclude gain on investments which amounted to \$8,139,000 or \$3.12 per share in 1970 compared with \$1,230,000 or 47 cents per share in 1969. Most of these gains resulted from the sale of about one-half of your company's holdings in New Quebec Raglan Mines Limited. Consolidated net operating income for the first quarter of 1971 increased to \$721,746 or 28 cents per share from 481,652 or 18 cents in the same period last year, excluding gain on investments.

The mining operation in Ireland is doing well, as the report shows. All Series B bonds have been repaid leaving the Series A and Series C outstanding, which total about \$8,000,000. Slightly more than \$7,000,000 of bonds have been repaid in the last 17 months.

International Mogul has maintained a strong financial position and several investments have been considered since the last annual report.

One investment which your board considers very worthwhile is the \$1,000,000 invested in Bluemount Resources Ltd. This investment gives your company a significant stake in a large oil and gas exploration program with first-class partners and proven management. We have high hopes for this investment. An additional \$500,000 has been invested in Bluemount Resources by Tontine Mining Limited, International Mogul's 40%-controlled associate. These investments give the Mogul group a 17.6% interest in Bluemount, which makes the group the largest investor in that company.

Last year we reported that a company had been formed to seek out and invest in attractive new or expanding businesses. This company is called I.M.M. Ventures Limited, which although a wholly-owned Mogul subsidiary, is not consolidated for accounting purposes.

Of the many ventures which have been investigated, I.M.M. Ventures has invested in several where we feel there are excellent opportunities for attractive profits within the next few years. In almost each company, Mogul has a majority interest. Operating management of these companies also has a significant equity stake.

Notwithstanding the poor economic conditions during 1970, the Grand Bahama Development Company, Limited made an impressive showing in its 1970 fiscal year. It earned \$15,041,672 or \$1.30 per share. Your company owns 2,000,000 shares of the company or about 17%. There are signs that economic conditions are improving, which should reflect in the 1971 earnings of Grand Bahama Development Company.

International Mogul continues to explore on its own and participate in exploration ventures in various parts of the world. These programs are expected to increase over the years as your company generates cash from its various investments.

Again in 1970 all employees have worked hard to give your company the successful results it has attained. Your Board of Directors wishes to acknowledge this contribution and express its appreciation for it.

On behalf of the Board of Directors,

[Signature]
President.

Toronto, Ontario.
May 18, 1971.





MOGUL OF IRELAND LIMITED

Your company's 75%-owned operating subsidiary, Mogul of Ireland Limited, improved overall performance considerably in 1970.

Mine and mill operations were maintained at designed capacity throughout the year and all forecasts and budgets were achieved.

Operating profit for the year was \$6,980,095. After deducting interest charges on long-term debt, royalties, depreciation and amortization charges, net profit realized was \$3,933,588.

Exploration

Exploratory surface diamond drilling on the extensive Silvermines property which began late in 1969, to expand known ore zones and find new deposits, continued throughout 1970.

Forty-seven holes were drilled comprising 33,760 feet at a cost of about \$196,000. About 25,000 feet of this drilling was to extend the 'B' zone and detail the ore body for mine development. Drill indicated in-place reserves in the 'B' zone ore body have been estimated at about 2,650,000 tons with a combined lead-zinc grade of about 10%. The zone is not yet fully delimited.

Limited exploratory drilling on the 'G', 'S' and 'K' zones was unsuccessful in locating new ore extensions.

Drilling in the valley area north of the 'G' and 'B' zones indicated the continuation of the mineralized zones well to the north of the present mine workings. Several holes intersected broad bands of massive sulphides, none of which, however, made ore grade. One hole of particular interest, located about 1,000 feet north of the shaft, intersected 29 feet of ore grading 12.74% combined lead and zinc. More drilling is warranted and planned in the valley area.

Mine Development

Mine development was carried on through-

out the year on all levels, developing stoping blocks in the upper and lower 'G' bodies.

The main haulage drive to the 'B' zone on the fourth-level horizon began at the start of the year and entered the 'B' zone area at the year end. This area is about 3,400 feet from the main shaft. The 'B' zone ore body will be developed for load-haul-dump mining methods using trackless equipment.

Exploration and Development Footage Summary

	1970	1969	1968
Surface diamond drilling	33,760	6,128	—
Underground diamond drilling	63,041	41,534	24,612
	96,801	47,662	24,612
Major development	8,708	7,258	2,307
Stope preparation	15,942	11,540	14,282
	24,650	18,798	16,589

Ore Reserves

At the year end, a complete re-evaluation of in-place ore reserves with dilution in all classifications was made taking into consideration metal price forecasts, operating costs, inflationary trends, currency exchange, interest rates and probability factors, the latter being established by the development and mining of about 2,500,000 tons of ore since the commencement of production. Mining extraction is estimated at 85% of in-place ore reserves.

In-Place and Broken Ore Reserves with Dilution — December 31, 1970

Ore Body	Tons	% Lead	% Zinc
Upper 'G'	5,500,000	2.13	8.60
Lower 'G'	1,556,000	4.08	5.31
Total 'G'	7,056,000	2.60	7.88
'B' Zone	2,654,000	4.09	5.92
Total:	9,710,000	2.98	7.34
Broken Ore	72,000	2.31	9.44
Grand Total:	9,782,000	2.97	7.38

Mining

Tonnage of ore mined and hoisted during the year was 1,003,190 of which 117,901 tons



General view of Mogul of Ireland's mining operations in the Silvermines district of the Republic of Ireland. The operating subsidiary is 75 per cent owned by International Mogul Mines.



Ore at the Mogul of Ireland site is conveyed from the mine to the mill. International Mogul is also participating in exploration of other areas of Ireland through affiliated companies.

came from major development and stope preparation. Twenty-five stoping blocks were actively mined and nine were mined out. Long-hole drilling for production totalled 514,721 feet. A backfill preparation plant to produce cemented backfill from mill tailings was installed on the surface. Backfilling is expected to start in mid-1971.

Milling

Tonnage milled for the year was 1,008,565 (2,763 per day) grading 2.68% lead and 10.53% zinc. Concentrate production amounted to 38,077 short dry tons of lead concentrate and 178,388 s.d. tons of zinc concentrate. Concentrate grades improved 3.58% and 1.10% for lead and zinc respectively while recoveries increased 2.32% and 1.06%.

Capital Expenditures

During the year \$300,820 was spent on new equipment and facilities. These were made up mainly of trackless equipment for developing and mining the 'B' zone orebody, backfill plant machinery and miscellaneous underground equipment. Also included were charges relating to completing the new lead concentrate storage building at Foynes and the mine changehouse extension.

Financial Review

Mine operating costs per ton of ore milled were \$6.28, an increase of 53 cents over 1969. Accounting for most of this rise were a wage increase effective February 1, 1970, resulting from a new labour contract and higher development costs relating to the 'B' zone drive.

The average metal prices received during the year for lead and zinc were 14.33 and 14.48 cents respectively per pound of metal.

During the year \$3,500,000 (U.S.) of bonds were redeemed. By April 30, 1971, a further \$3,500,000 (U.S.) of the bonds had been retired.

Summary of Financial Data 1970

	Total	Per ton Milled
Revenue from Concentrates:	\$14,853,312	\$ 14.72
Operating Costs:	6,333,977	6.28
Surface Exploration:	196,099	0.19
Marketing Costs:	1,343,141	1.33
Total Costs:	7,873,217	7.80
Operating Profit:	6,980,095	6.92
Interest Charges Less Interest Earned:	858,053	0.85
Royalties:	344,728	0.34
Net Operating Profit:	5,777,314	5.73
Depreciation and Amortization:	1,843,726	1.83
Net Profit:	\$ 3,933,588	\$ 3.90

General

At year end there were 523 employees of which 105 were on staff. In addition, 18 contractors were steadily employed. Total expenditure for salaries, wages and production bonuses was \$2,520,111 — about 40% of operating costs.

Labour turnover was about 22% while absenteeism amounted to 5.3% per day.

Agreement was reached in June with the Irish Transport & General Workers' Union on a new two-year labour contract retroactive to February 1, 1970 covering about 330 of the hourly rated employees. This agreement provided for an increase of 2/6d (30 cents) per hour on all classifications over two years with 1/6d (18 cents) retroactive to February 1, 1970, 6 pence (6 cents) on June 6, 1970 and 6 pence on March 1, 1971. The agreement covering the maintenance craft hourly rated employees expired on December 31, 1970. A new contract being negotiated, will be based on the new National Agreement for Crafts which calls for an increase of two pounds per week (about 11 cents per hour).

All 17 staff houses in Nenagh, the Silvermines houses and the 68 houses in the Ballygraique Estates were occupied throughout the year. On the average there were 42 single-status employees living in the company dormitory at the mine.



Operations are checked out at Magul of Ireland's mine. Here, the ore is fed from the ore bin to a conveyor belt, which carries it to the mill.



After the ore has been milled and conditioned through the adding of reagents, the slur is sent to flotation cells. Shown, is a general view of the flotation floor.



EXPLORATION

Your company's world-wide mineral exploration activities accelerated sharply during the past year.

In addition to the major surface diamond drilling conducted on the Silvermines property of Mogul of Ireland in County Tipperary, several other prospects in the Republic of Ireland were examined and explored. As well as the Irish prospects, others in Canada, the U.S.A., and Central America were explored.

International Mogul participated in exploration programs of both affiliated and non-affiliated companies. Your company conducted, managed and financed exploration projects for companies in which it holds a substantial share interest.

Direct and indirect exploration spending — exclusive of the Silvermines activities — came to more than \$500,000.

LAKE AINSLIE PROJECT

Pilot-plant testing was still in progress at year end on barite-flourite ores in the Lake Ainslie area of Nova Scotia's Cape Breton Island.

The deposit is held under option by your company.

Difficulties have been experienced in producing suitable concentrates to meet marketing specifications at acceptable recoveries. However, the latest testing has indicated that these problems can be overcome, permitting completion of the project's feasibility study during 1971.

INVESTMENTS

The Grand Bahama Development Company, Limited

Despite the general slackening of business during 1970, The Grand Bahama Development Company, Limited enjoyed a good year.

Your company owns through wholly-owned subsidiaries 2,000,000 shares of the Develop-

ment Company, representing about 17% of 11,520,000 shares outstanding at October 31, 1970.

International Mogul's interest in the 1970 earnings of the development company, including interest in earnings of affiliated companies, was about \$2,762,000 (U.S.).

The development company and its parent corporation, The Grand Bahama Port Authority, are engaged in industrial and residential development of about 214 square miles in and around the City of Freeport on Grand Bahama Island.

The following are financial highlights of the development company and its consolidated subsidiaries for the fiscal year ended October 31, 1970 with comparative figures for fiscal 1969. All figures are stated in U.S. dollars.

	1970	1969
Gross land sales	\$32,744,987	\$37,644,916
Net income	15,041,672	16,854,347
Net income per share	1.30	1.46
Interest per share in net income of affiliated companies, including The Grand Bahama Service Company Limited and The Grand Bahama Utility Company Limited	11¢	18¢
Shareholders' equity at fiscal year end:		
Share capital and premium	\$30,605,000	\$30,605,000
Retained earnings	55,717,238	40,675,566

New Quebec Raglan Mines Limited

The two-year surface and underground exploration program of New Quebec Raglan Mines was completed last year.

The surface activities outlined additional ore at Katiniq and the No. 2 and 3 areas west of this site. The underground work at Donaldson confirmed the ore reserves indicated by earlier surface drilling.

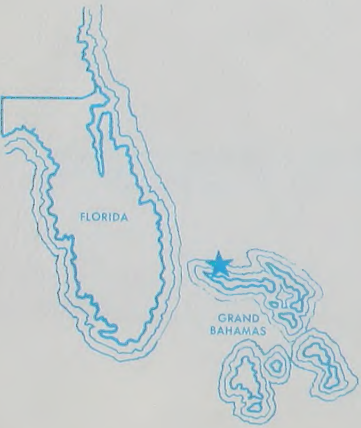


Work goes on in the most frigid weather at New Quebec Raglan's Donaldson Mine in the remote Ungava area of Quebec. International Mogul holds a substantial interest in New Quebec Raglan, whose drilling operations are being directed by Falconbridge Nickel Mines.



Top: Warmth and hearty meals can be found in the Donaldson Mine cafeteria.

Bottom: One of many diamond drilling sites which are about six miles from the main base. The helicopter provides a vital link between the sites and home base.



EXPLORATION

Your company's exploration activities accelerated last year.

In addition to the majoring conducted on the Mogul of Ireland in several other prospects, land were examined as the Irish prospect U.S.A., and Central America. International Mogul exploration programs of both affiliated companies, conducted, managed and projects for company substantial share interest. Direct and indirect exclusive of the \$1 came to more than \$

LAKE AINSLIE PROJECT

Pilot-plant testing was ended on barite-flourite area of Nova Scotia's. The deposit is held company. Difficulties have been in suitable concentration specifications at accelerated, the latest test these problems can completion of the project during 1971.

INVESTMENTS

The Grand Bahama Company, Limited
Despite the general during 1970, The Grand Company, Limited and Your company owns subsidiaries 2,000,000

International Mogul Mines Limited
and its consolidated subsidiaries

Consolidated Statement of Income

Six months ended June 30, 1970
with comparative figures in 1969
(unaudited)

	1970	1969
Revenue from production of concentrates	\$ 7,558,856	\$ 6,181,112
Mine operating expenses	3,964,494	3,383,941
Administrative and general expenses	485,745	319,396
Interest on long-term debt	519,283	682,187
General exploration and property maintenance	33,580	54,918
Other expenses	2,746	68,816
Depreciation, depletion and amortization	838,653	837,150
	5,844,501	5,346,408
Less income from investments, consulting, management and other services	459,261	224,762
	5,385,240	5,121,646
Income before undernoted items	2,173,616	1,059,466
Gain on investments	8,533,781	—
Net income for period before interest of minority shareholders	10,707,397	1,059,466
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited	546,619	307,480
Net income for the period	\$10,160,778	\$ 751,986
Earnings per share	\$ 3.90	\$ 0.29
Earnings per share excluding gain on investments	\$ 0.62	\$ 0.29

Notes:

Income Taxes

No provision for income taxes is required because Mogul of Ireland Limited is in a tax free period until 1988 and the company and its other consolidated subsidiaries had no taxable income.

Reclassification and Restatement

The statements of income and source and application of funds for the six months ended June 30, 1969 have been restated to show the effect of depreciation, depletion and amortization. Also, the above mentioned statements have been reclassified to give effect to changes in presentation adopted in 1970.

AR11

International Mogul Mines Limited
and its consolidated subsidiaries

Consolidated Statement of Source and Application of Funds

Six months ended June 30, 1970
with comparative figures in 1969
(unaudited)

	1970	1969
Source of funds		
Income for period before gain on investments and interest of minority shareholders	\$ 2,173,616	\$ 1,059,466
Items not involving current funds		
Depreciation, depletion and amortization	838,653	837,150
Other	42,250	—
Proceeds from sale of investments	8,914,484	—
Recovery of income taxes under appeal	92,367	—
Proceeds from sale of fixed assets	7,092	91,755
Other	—	25,191
	12,068,462	2,013,562
Application of funds		
Reduction of non-current portion of long-term debt	538,340	1,621,085
Investment in shares and advances		
Subsidiaries not consolidated	1,586,779	3,676
Other companies	992,808	326,274
Additions to fixed assets	182,224	48,713
Preproduction expenditures in Ireland	—	40,584
Exploration expenditures deferred	47,881	24,060
Other	46,392	—
	3,394,424	2,064,392
Increase (decrease) in working capital	8,674,038	(50,830)
Working capital at beginning of period	2,375,423	1,843,749
Working capital at end of period	\$11,049,461	\$1,792,919

International Mogul Mines Limited

Interim Report
Six Months Ended
June 30, 1970



Top: Warmth and hearty meals can be found in the Donaldson Mine cafeteria.

Bottom: One of many diamond drilling sites which are about six miles from the main base. The helicopter provides a vital link between the sites and home base.



EXPLORATION

Your company activities past year.

In addition to the conduct of Mogul of Florida and other projects in the land were the U.S.A., and International exploration program conducted, major projects for substantial Direct and exclusive came to the

LAKE AIR

Pilot-plant end on the area of New The development company. Difficulties in suit specific ever, the these projects completed during 1970.

INVESTMENT

The Grand Company Despite 1970 Company Your company subsidia

International Mogul Mines Limited

34 Adelaide Street West
TORONTO 1, ONTARIO

TO THE SHAREHOLDERS:

This interim report summarizes your Company's activities during the six months ended June 30, 1970.

Consolidated net income, excluding gain on investments, amounted to \$1,626,997 or 62¢ per share compared to \$751,986 or 29¢ per share for the same period in 1969. The increase in consolidated net income was a result of the higher grade of ore milled, higher metal prices and an increase in investment income.

Gain on investments, amounting to \$8,533,781, resulted mainly from the sale early in 1970 of a portion of the Company's investment in shares of New Quebec Raglan Mines Limited.

MOGUL OF IRELAND LIMITED

Operating results of the Company's 75% owned subsidiary for the six months ended June 30, 1970, compared to the same period in 1969, were as follows:

	1970	1969
Tons milled	518,776	511,745
Grade of ore milled		
— lead	2.60%	2.22%
— zinc	10.61%	9.96%
Short dry tons of concentrates produced		
— lead	17,766	17,823
— zinc	90,686	86,391

	1970		1969	
	Amount	Per ton Milled	Amount	Per ton Milled
Production revenue	\$7,558,856	\$ 14.57	\$6,181,112	\$ 12.08
Operating costs	3,226,593	6.22	2,739,811	5.35
Marketing costs	663,649	1.28	704,130	1.38
Surface exploration	97,426	.19	—	—
	3,987,668	7.69	3,443,941	6.73
Operating profit	3,571,188	6.88	2,737,171	5.35
Other charges including bond interest, royalties etc.	586,061	1.13	670,102	1.31
Net profit prior to depreciation, depletion and amortization	\$2,985,127	\$ 5.75	\$2,067,069	\$ 4.04

Mine development totalled 13,982 feet. Underground diamond drilling amounted to 35,007 feet and longhole drilling for production purposes amounted to 246,091 feet. 470,203 tons of ore were broken.

During the period 15,657 feet of surface diamond drilling was completed, mainly on the "B" zone, with positive results. This drilling continues.

A satisfactory settlement was made with the Irish Transport & General Workers Union resulting in a two year contract effective February 1, 1970.

Working capital at June 30, 1970 amounted to approximately \$4,750,000 and it is planned to retire at least an additional \$3,000,000 principal amount of First Mortgage Bonds in the near future.

EXPLORATION AND DEVELOPMENT

The reconnaissance program directed towards the acquisition of potential mining properties has continued and during the period several prospects were examined and evaluated, including properties in British Columbia and Arizona. Exploration work is in progress on a copper prospect in Arizona in participation with North Coldstream Mines Limited.

The Company is also participating in the exploration programs of affiliated companies in Ireland.

MAJOR INVESTMENTS

The Grand Bahama Development Company Limited

Through a wholly-owned subsidiary, your Company owns 1,950,000 shares of the Development Company being 16.9% of its 11,530,000 shares issued and outstanding at April 30, 1970. The Company's interest in the earnings for the six months ended April 30, 1970 of the Development Company, including the Development Company's interest in earnings of The Grand Bahama Utility Company Limited and The Grand Bahama Service Company Limited, amounts to approximately \$1,425,000.

New Quebec Raglan Mines Limited

567,420 shares of New Quebec Raglan are now held by the Company. The accelerated surface diamond drilling program and underground development program announced earlier in the year by New Quebec Raglan is now in progress at its nickel-copper property in the Ungava area of Quebec. It is expected that the current program, financed by Falconbridge Nickel Mines Limited, will enlarge the ore potential at this property.

New Mount Costigan Mines Limited

Since the last interim report the Company has acquired additional shares of New Mount Costigan and now holds

1,024,520 shares, being approximately 33% of that Company's issued common shares.

New Mount Costigan, through a wholly-owned subsidiary, owns 86% of Naracoopa Rutile Limited, a producer of rutile and zircon from a beach sand deposit located on King Island, Tasmania. New Mount Costigan also owns a 10% interest in Comstaff Proprietary Limited which Company holds a large concession in the northwestern part of Tasmania. A major exploration program, including diamond drilling, is in progress on this concession pursuant to an agreement between Comstaff Proprietary and Anglo American Corporation (Australia) Limited.

Tontine Mining Limited

The Company holds 771,707 shares of Tontine, being approximately 39% of that company's issued shares. Tontine owns an 82½% interest in a mining property held under lease in Langmuir Township, near Timmins, Ontario, on which previous diamond drilling indicated a small nickel-copper orebody; a nepheline syenite deposit near Marathon, Ontario and a participating interest in several companies engaged in mineral exploration in Ireland. As a result of an aerial magnetic and electromagnetic survey conducted over an area in Gzowski and Kowkash Townships in North-western Ontario, Tontine has staked a large number of claims and plans further exploration work, including diamond drilling, in this area.

Yours respectfully,

D. W. KNIGHT,
President.

August 11, 1970.



Top: Warmth and hearty meals can be found in the Donaldson Mine cafeteria.

Bottom: One of many diamond drilling sites which are about six miles from the main base. The helicopter provides a vital link between the sites and home base.

Exploration is under the direction of Falconbridge Nickel Mines Limited on properties in Quebec's Ungava region held by Raglan Quebec Mines Limited, the operating subsidiary of New Quebec Raglan. Your company continues to hold 567,420 shares of New Quebec Raglan, which were quoted at about \$12 a share at the date hereof.

Exploration and development expenditures for the year amounted to \$7,530,220.

Work accomplished included 118,200 feet of surface diamond drilling, 171 feet of shaft sinking, 4,393 feet of lateral development on the seventh level of the Donaldson Mine and 43,637 feet of underground diamond drilling.

The work program planned for the 1971 season is estimated to cost \$6.2 million. It consists mainly of building a 38-mile road from Douglas Harbour to Katiniq. A lay-down area will be prepared on the Douglas Harbour beach to receive supplies and equipment. Oil storage facilities will be erected at Douglas Harbour and Donaldson.

New Mount Costigan Mines Limited

Naracoopa Rutile Limited, the Australian mine, in which your company holds an indirect interest made a profit of \$202,223 last year, well up from a \$15,219 loss in 1969.

International Mogul owns about 33 per cent of the issued common shares of New Mount Costigan Mines Limited. New Mount Costigan, through wholly-owned Costigan Mining (Australia) Pty. Limited, owns 68% of Naracoopa.

Naracoopa is a rutile and zircon beach sand operation located on King Island, Tasmania. Production totalled 7,408 tons of rutile and 6,075 tons of zircon from treatment of 128,810 tons of beach sands with a heavy metal content of 58% and a combined rutile-zircon grade of 14.6%.

Construction of a 150-ton-per-hour primary concentrating plant to treat the lower-grade Lanherne Beach deposit began last year. The plant is expected to be operating during the second quarter of 1971.

Exploration in the Naracoopa area last year indicated extension of the Lanherne deposit. Sufficient reserves have been indicated to maintain the operation at design capacity to the end of 1976.

In another area, exploration of the 600-square-mile concession in northern Tasmania continued throughout the year under direction of Anglo American Corporation (Australia) Limited. The concession is held by Comstaff Proprietary Limited, in which New Mount Costigan holds an interest. About \$500,000 was spent on this project in 1970.

Tontine Mining Limited

Tontine Mining Limited joined your company in purchasing shares of Bluemount Resources Ltd., which is exploring for oil and gas in Western Canada.

Your company owns 803,757 shares of Tontine, representing about 40% of its issued shares. Tontine purchased 50,000 Bluemount shares at \$5 each and is committed to purchase an additional 50,000 at the same price.

Tontine completed exploration of its G-K Project comprising 273 mining claims staked in Kowkash and Gzowski townships in Northwestern Ontario. Geological and geophysical surveys were completed, followed by 5,604 feet of diamond drilling in 13 holes ranging in depth from 270 to 742 feet. No economic ore deposits were indicated and all known geophysical targets were sufficiently investigated. No further work is planned on this group, but certain of the claims will be retained.

No field work was undertaken on the nepheline syenite deposit near Marathon, also in

Northwestern Ontario. Petrological and metallurgical studies were made on numerous samples. The studies indicated that the iron-oxide content could not be reduced to an allowable level to permit the use of the material in the glass industry. The project has been set aside to await developments in the fibre glass and automotive industries, which may create a demand for Tontine's deposits.

Tontine continues to participate in the exploration activities of associated companies in the Republic of Ireland and in a geochemical prospecting search for oil and gas in Southwestern Ontario.

Bluemount Resources Ltd.

Bluemount, incorporated in the Province of Alberta, commenced business in 1970 exploring for oil and natural gas in western Canada. Its President, John C. Rudolph, the former President of Banff Oil Ltd., has achieved considerable success in his career in the discovery of oil and gas fields.

Under an agreement with Northern Natural Gas Company, Bluemount and Northern Natural Gas have committed \$7,500,000 and \$15,000,000 respectively for exploration over a five year period to be expended in a joint venture under Bluemount's management. Bluemount and Northern Natural Gas will participate as to a 33 1/3% interest and a 66 2/3% interest respectively in all lands acquired, wells drilled and production achieved. Bluemount is entitled to a fee for conducting land acquisition and exploration work and is entitled to an overriding gross royalty on the value at wellhead of Northern's share of petroleum substances produced and sold.

Late in 1970 Bluemount sold by private placement to twenty investors a total of 1,300,000 shares of its capital stock for a total subscription price of \$6,390,890. Of this amount \$4,050,140 was paid at the time and the re-

maining \$2,340,750 is payable on or before December 1, 1972. International Mogul subscribed for 200,000 shares at \$5.00 per share and Tontine Mining Limited, a 40% owned associated company of International Mogul, subscribed for 100,000 shares at the same price. These subscriptions were completed as to 50%, the remaining 50% being due on or before December 1, 1972. The Company's subscription and Tontine's subscription represent 17.6% of the 1,700,000 shares of Bluemount which will be outstanding when all shares subscribed for are issued.

Management of Bluemount believes that many major oil and gas reservoirs are still to be found in western Canada and Bluemount is busy in land acquisition, drilling and seismic work in several areas of Alberta and in the Yukon Territory.

I.M.M. Ventures Limited

I.M.M. Ventures Limited, a wholly-owned subsidiary incorporated to invest in venture capital projects, became active during 1970. Its operations are financed by loans from your company which at the end of March, 1971, totalled \$941,000.

Many new projects and ideas have been investigated and analyzed for investment potential, particularly companies which may qualify for government aid in establishing operations.

I.M.M. Ventures purchased redeemable preference shares and just over 50% of the common shares of Federal Drilling Supplies Limited, in early 1970. Federal manufactures diamond drilling and mining supplies at its 22,000-square-foot plant in North Bay, Ontario.

Production started last year during a period of generally poor economic conditions, particularly in the diamond drilling industry. As a result of this and normal start-up problems,

Federal showed a loss in 1970 of just over \$100,000 after depreciation and amortization charges.

With increasing acceptance of its products and a livelier market, Federal Drilling has experienced a substantial improvement in sales, which has resulted in a profit for the first quarter of 1971.

I.M.M. Ventures has also invested in Electrical Contacts Limited, a manufacturer of small parts for the electrical and electronics industry; Nielbeck Research & Manufacturing Limited, a manufacturer of a multi-price coin changer for the vending machine industry; and Galanty Limited, a company incorporated to develop new ideas in the entertainment field. These companies are preparing to begin operations.



International Mogul
Mines Limited

(Incorporated under the laws of Ontario)
and its consolidated subsidiaries

Consolidated
Balance Sheet

December 31, 1970

(with comparative figures at
December 31, 1969)

ASSETS		
Current Assets	1970	1969
Cash and short-term deposits	\$ 6,794,000	\$ 959,000
Accounts receivable	365,000	653,000
Marketable securities (quoted market value, \$1,528,000) (note 2)	1,482,000	
Concentrates on hand and in process of settlement, at estimated value	1,788,000	2,202,000
Inventory of supplies, at cost	994,000	793,000
Prepaid expenses and deposits	12,000	5,000
	<u>11,435,000</u>	<u>4,612,000</u>
Deposits		
Prepaid harbour dues	150,000	181,000
Income taxes (note 8)		111,000
	<u>150,000</u>	<u>292,000</u>
Investments (note 2)		
Subsidiaries not consolidated (note 3)	1,394,000	614,000
Other companies (quoted market value 1970, \$18,015,000; 1969, \$38,030,000)	10,943,000	8,436,000
	<u>12,337,000</u>	<u>9,050,000</u>
Fixed Assets (note 4)		
In Ireland, at cost		
Mineral leases and rights (note 5)	1,806,000	1,806,000
Land, buildings, plant and equipment	11,035,000	10,758,000
In Canada		
Land, buildings, machinery and equipment	1,202,000	466,000
	<u>14,043,000</u>	<u>13,030,000</u>
Less accumulated depreciation and depletion	2,277,000	1,084,000
	<u>11,766,000</u>	<u>11,946,000</u>
Mining Claims and Rights		
Cost	416,000	406,000
Deferred exploration and development	1,423,000	1,289,000
	<u>1,839,000</u>	<u>1,695,000</u>
Deferred Preproduction Expenditures in Ireland and other charges, amortized value (note 4)	6,851,000	7,538,000
	<u>\$44,378,000</u>	<u>\$35,133,000</u>

LIABILITIES		
Current Liabilities	1970	1969
Bank loan		\$ 500,000
Accounts payable and accrued liabilities	\$ 2,821,000	1,482,000
Royalties payable	281,000	
Notes payable, due May 31, 1970		255,000
	<u>3,102,000</u>	<u>2,237,000</u>
Long-Term Debt (note 6)		
First Mortgage Bonds of Mogul of Ireland Limited		
7% Series A, maturing September 1, 1975	7,000,000	7,000,000
6¾% Series B (U.S. \$3,500,000), maturing September 1, 1973	3,536,000	7,018,000
6¾% Series C (U.S. \$1,000,000), maturing September 1, 1973	1,010,000	1,075,000
6¾% Series D, maturing September 1, 1971		538,000
Mortgages payable due in 1979 and 1981	406,000	
	<u>11,952,000</u>	<u>15,631,000</u>
Minority Interest in Mogul of Ireland Limited	2,237,000	1,253,000
	<u></u>	<u></u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)		
Authorized — 4,000,000 shares without par value		
Issued — 2,607,112 shares	11,061,000	11,061,000
Contributed Surplus	2,028,000	2,028,000
Retained Earnings	13,998,000	2,923,000
	<u>27,087,000</u>	<u>16,012,000</u>
Commitment (Note 9)		
	<u></u>	<u></u>
Approved by the Board:		
	D. W. KNIGHT, Director.	
	R. D. BELL, Director.	
	<u>\$44,378,000</u>	<u>\$35,133,000</u>

AUDITORS' REPORT

To the Shareholders of
International Mogul Mines Limited

We have examined the consolidated balance sheet of International Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne, Krumm, Helliwell & Christensen

Chartered Accountants

Toronto, Canada
April 1, 1971

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Revenue from production of concentrates	\$14,853,000	\$13,606,000
Mine operating expenses	7,753,000	7,028,000
Royalty expense (note 5)	345,000	80,000
Administrative and general expense	713,000	512,000
Interest on long-term debt	966,000	1,268,000
General exploration and property maintenance	88,000	95,000
Other expenses	20,000	98,000
Depreciation, depletion and amortization (note 4)	1,893,000	1,674,000
Loss on write-down and sale of fixed assets	17,000	180,000
	11,795,000	10,935,000
Less net income from investments, currency revaluation, consulting, management and other services	861,000	162,000
	10,934,000	10,773,000
Income before undernoted items	3,919,000	2,833,000
Net gain on investments	8,139,000	1,230,000
Net income for year before interest of minority shareholders	12,058,000	4,063,000
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited	983,000	877,000
Net income for the year	11,075,000	3,186,000
Retained earnings (deficit) at beginning of year	2,923,000	(180,000)
	13,998,000	3,006,000
Less excess of cost of shares of subsidiary over book value, written off		83,000
Retained earnings at end of year	\$13,998,000	\$ 2,923,000
Earnings per share	\$ 4.25	\$ 1.22
Earnings per share excluding net gain on investments	\$ 1.13	\$.75

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970
(with comparative figures for 1969)

	1970	1969
Source of Funds		
Net income for year before interest of minority shareholders	\$12,058,000	\$ 4,063,000
Add items not involving current funds		
Depreciation, depletion and amortization	1,893,000	1,674,000
Other	24,000	196,000
	13,975,000	5,933,000
Recovery of deposit on income taxes (note 8)	111,000	
Recovery of cost of investments sold	381,000	15,000
Proceeds from sale of fixed assets	97,000	110,000
Other	48,000	52,000
	14,612,000	6,110,000
Application of Funds		
Reduction of non-current portion of long-term debt	4,107,000	4,564,000
Investment in shares and advances		
Subsidiaries not consolidated	996,000	6,000
Other companies	2,685,000	461,000
Purchase of fixed assets less mortgages assumed in 1970 of \$428,000	706,000	305,000
Purchase of mining claims and rights	17,000	4,000
Exploration expenditures deferred	143,000	144,000
Preproduction expenditures in Ireland	94,000	
	8,654,000	5,578,000
Increase in working capital	5,958,000	532,000
Working capital at beginning of year	2,375,000	1,843,000
Working capital at end of year	\$ 8,333,000	\$ 2,375,000

Notes to
Consolidated
Financial Statements

Year ended December 31, 1970

1. Basis of Consolidation

The accounts of the company's principal subsidiaries, Mogul of Ireland Limited and Lorado of Bahamas, Limited, along with other subsidiaries are consolidated herein. These subsidiaries are wholly owned except for Mogul of Ireland in which the company holds a 75% interest.

The accounts of Mogul of Ireland and Lorado of Bahamas are recorded in Sterling and U.S. dollars respectively. In the accompanying financial statements, current assets and current liabilities have been converted at the prevailing rates of exchange as at December 31, 1969 and 1970 respectively. Other assets have been converted at the average rate of exchange for the years in which they were acquired. The first mortgage bonds have in the past been converted at the rate of exchange on date of issue, but the Series B and Series C bond values have been adjusted in 1970 to reflect revaluation of the Canadian dollar. Income items have been converted at the average rate of exchange during each year, except that depreciation, depletion and amortization are recorded at the same rates as the related assets.

2. Marketable Securities and Investments

Marketable securities are valued at the lower of cost and quoted market value.

Investments in shares are valued at cost or less depending upon the underlying value of the investment and/or the quoted market value.

Because of the large blocks of shares held in certain companies the quoted market values are not necessarily indicative of the value of the investment, which may be more or less than indicated by market quotations.

3. Subsidiaries not Consolidated

Investments in subsidiaries not consolidated are as follows:

	1970	1969
Shares	\$ 404,000	\$ 524,000
Advances	990,000	90,000
	<u>\$1,394,000</u>	<u>\$ 614,000</u>

The accounts of these subsidiaries have not been consolidated because some are in the initial stages of their development and the remainder are inactive or otherwise immaterial.

4. Depreciation, Depletion and Amortization Policy

Mogul of Ireland Limited provides for depreciation of fixed assets in Ireland, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

In Canada the fixed assets are recorded at cost or less than cost. These assets are being depreciated at the rate of 20% per annum except for the building which the company occupies which is being depreciated at the rate of 2.5% per annum, all on a straight line basis.

5. Mineral Leases and Rights

Mineral rights to the Silvermines property in Ireland were acquired in various parcels either by outright purchase or by lease and sub-lease from the State and others. Some of the leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic of Ireland, which comprised about 40% of the G Zone orebody, are leased until December 1, 1995 subject to the payment of an annual royalty to the State ranging from 4% to 10% of the profits therefrom.

6. Long-Term Debt

First Mortgage Bonds
The first mortgage bonds of Mogul of Ireland Limited

are secured by a first fixed and specific mortgage and charge on all the real and immovable property and other fixed assets of Mogul of Ireland, and all contracts entered into for the sale of concentrates; also by a first floating charge on all the undertaking and all other property and assets of Mogul of Ireland, both present and future.

These bonds are not guaranteed by International Mogul Mines Limited.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to provide a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1971 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to pay into the retirement fund on or before September 1, in each of the years 1972 to 1974 inclusive, minimum amounts sufficient to redeem on a cumulative basis, on or before such date, the following principal amounts of bonds:

By September 1, 1972 — U.S.\$1,500,000
By September 1, 1973 — U.S.\$4,500,000
By September 1, 1974 — U.S.\$4,500,000 and
Cdn.\$3,500,000

During 1970 Series D bonds of principal amount U.S.\$500,000 and Series B bonds of U.S.\$3,000,000 were redeemed. In 1971 an additional U.S.\$3,000,000 of Series B bonds were redeemed, with the result that minimum retirement provisions have been satisfied beyond September 1, 1972.

7. Stock Options

The company has reserved 100,000 shares of its capital stock under an incentive option plan for employees of the company and its subsidiaries. Any such options

granted are to be at a price of not less than 90% of the market value of the shares at the date of grant. Options are in good standing for five years from that date, exercisable on a cumulative basis as to 20% of the shares optioned in any one option year.

During 1969 options were granted on 59,300 shares at \$17.00 per share under the terms of the plan. None of these options has been exercised.

8. Income Taxes

The company has no taxable income for 1970 and has considerable undepreciated capital cost, exploration expenditures and other allowances available to offset future income.

No provision for income taxes is required for Mogul of Ireland Limited on income from mining operations until 1988.

The company was successful in its objection to reassessment for the years 1964 to 1966 inclusive and has recovered the deposit on income taxes.

9. Commitment

The company invested \$500,000 during the year in Bluemount Resources Ltd., an oil and gas exploration company and has agreed to invest an additional \$500,000 on December 1, 1972.

10. Other Information

- (a) Certain 1969 figures have been reclassified on the basis of 1970 financial statement presentation.
- (b) Direct remuneration of the company's directors and senior officers (as defined by The Business Corporations Act, 1970) from the company and its consolidated subsidiaries was \$324,000 in 1970 (\$220,000 in 1969).



